

107TH CONGRESS
2D SESSION

S. 2760

To direct the Securities and Exchange Commission to conduct a study and make recommendations regarding the accounting treatment of stock options for purposes of the Federal securities laws.

IN THE SENATE OF THE UNITED STATES

JULY 19, 2002

Mr. ENZI (for himself, Mr. LIEBERMAN, Mr. ALLEN, Mrs. BOXER, Mr. BURNS, Mr. FRIST, and Mr. ENSIGN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To direct the Securities and Exchange Commission to conduct a study and make recommendations regarding the accounting treatment of stock options for purposes of the Federal securities laws.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stock Option Fairness
5 and Accountability Act”.

1 **SEC. 2. STOCK OPTION EXPENSING ANALYSIS AND REPORT.**

2 The Securities and Exchange Commission (in this
3 Act referred to as the “Commission”) shall conduct an
4 analysis and make regulatory and legislative recommenda-
5 tions on the accounting treatment of stock options for pur-
6 poses of the Federal securities laws, including—

7 (1) the accuracy of available stock option pric-
8 ing models;

9 (2) the adequacy of current disclosure require-
10 ments to investors and shareholders on stock op-
11 tions;

12 (3) the adequacy of corporate governance re-
13 quirements, including shareholder approval of stock
14 option plans;

15 (4) any need for new stock holding period re-
16 quirements for senior executives; and

17 (5) the benefit and detriment of any new op-
18 tions expensing rules on—

19 (A) the productivity and performance of
20 large, medium, and small companies, and start-
21 up enterprises;

22 (B) the recruitment and retention of
23 skilled workers; and

24 (C) employees at various income levels,
25 with a particular focus on the effect on rank-
26 and-file employees and the income of women.

1 **SEC. 3. REGULATORY AND LEGISLATIVE RECOMMENDA-**
2 **TIONS.**

3 (a) IN GENERAL.—Not later than 180 days after the
4 date of enactment of this Act, the Commission shall sub-
5 mit regulatory and legislative recommendations and sup-
6 porting analysis to—

7 (1) the standard setting body designated pursu-
8 ant to section 19(b) of the Securities Act of 1933
9 (as amended by the Public Company Accounting Re-
10 form and Investor Protection Act of 2002);

11 (2) the Committee on Banking, Housing, and
12 Urban Affairs of the Senate; and

13 (3) the Committee on Financial Services of the
14 House of Representatives.

15 (b) CONTENTS.—The analysis and regulatory and
16 legislative recommendations required by this Act shall
17 include—

18 (1) the results of the analysis conducted under
19 section 2; and

20 (2) regulatory and legislative recommendations,
21 if any, for changes in the appropriate accounting
22 treatment of stock options for purposes of the Fed-
23 eral securities laws.

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